**Teachers’ Pension Scheme Pension Board (TPSPB)**

**THIRTEENTH BOARD MEETING: 18 July 2018**

**MINUTES**

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| **Present:** |  | **Also Attending:** |  |
| Neville Mackay (Chair) | NM | David Heslop (Client Director, Capita TP) 6-11 | DH |
| Geoff Ashton (Independent Pension specialist) | GA | Jeff Rogerson (DfE Head of Pensions) | JR |
| Stephen Baker (DfE representative) | SB | Peter Springhall (DfE Commercial Project Mgr) | PS |
| David Butcher (employer representative) | DB | Sue Crane (DfE Senior Contract Manager) | SC |
| Roy Blackwell (employer representative) to | RB |  |  |
| Jerry Glazier (member representative) | JG | **Secretariat:** |  |
| Julie Huckstep (member representative) | JH | Karen Cammack (DfE – Secretariat) |   |
| Iain King (DfE representative)  | IK | Fiona Laundy (DfE – Secretariat) |  |
| Chris Jones (member representative) | CJ | Kathryn Symms (DfE – Secretariat) |  |
| Trefor Llewellyn (employer representative) | TL |  |  |
| Lee Probert (employer representative)  | LP | **Apologies:** |  |
| Dave Wilkinson (member representative) | DW | David Trace (member representative) |  |
| Jackie Wood (employer representative) | JW |  |  |

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|  | **Item** | **Action** |
| Agenda item 1 | **Introduction, attendance, apologies:*** NM welcomed those attending.
* Apologies were accepted from David Trace.
* NM apologised for not contacting Board members individually ahead of the meeting, but advised that he would do so for future meetings as a way to gather views and issues; Board members were also welcome to contact him direct.
* NM confirmed that he has completed his induction programme. As part of that he had met with key stakeholders (e.g. Paul Kett DG of ESD, and other public sector pension scheme chairs). He has also visited TPAS and met with tPR.
* He advised that a meeting would take place on 30 July for the four sub-committee chairs to review Terms of Reference, discuss agendas and consider forward planning and developing work programmes for both sub-committees and the Board.
* He also highlighted changes to the TPSPB agenda that now provided the opportunity for the Independent Pension Specialist to advise the Board of industry concerns or current/topical issues and to include discussion of a cross-cutting issue.

**Minutes of the previous meeting:*** The minutes from the 18 April 2018 meeting were agreed as an accurate record of the meeting.

**Register of Interests:*** No potential conflicts were raised relating to today’s agenda.
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| Agenda item 2 | **Update on action points**:* AP3/180418: JR confirmed that three new staff would shortly be joining the DfE BAU team, and a new member of staff would be joining the commercial project team.
* AP6/180418: JR explained that at his meeting with Susan Ring (Capita CEO), following their financial announcement, she reaffirmed that pensions remain a part of Capita’s core business and their commitment to delivery of the TPS.
* DfE colleagues (including SB, SC and JR) had participated in “financial stress testing” activity with Cabinet Office. This confirmed that Capita are still in a viable financial state to deliver this, and other contracts across government, and that there is no apparent threat to delivery for the life of the current contact.
* Remaining actions are now closed or feature within the agenda.
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| Agenda item 3 | **IPS update:*** GA noted that DfE are good at bringing to the Board issues of interest to the scheme. From the wider perspective he noted:
* A White Paper on Defined Benefit schemes has been published. This proposes greater powers for the Regulator, although he highlighted that tPR were already taking firmer actions with schemes that it considered had not complied with requirements.
* There is some discussion around many UK Defined Benefit schemes using CPI rather than RPI for indexation purposes (usually set out in scheme rules), and some scrutiny around whether RPI remains a valid measure. JR confirmed that TPS made the move to CPI some years ago.
* It was noted that the standard Lifetime Allowance limits for higher taxation of pension benefits had been marginally increased in April 2018 for the first time since they had first been introduced some years ago. More TPS members are likely to exceed the Lifetime Allowance as time goes because their benefits are more likely to increase at a faster rate than the Allowance. JR noted that increased communications/support are in place for tax issues and these may need to be reviewed in order to keep members suitably informed. The Annual Allowance remains unchanged but there is an expectation that the government will review the currently favourable tax treatment of pensions in the near future.
* The method of GMP equalisation (between men and women) continues to be under consideration by the government, with the likelihood of future GMP adjustments for affected members.
* More members of private sector schemes are now taking advantage of pension flexibilities and freedoms and there may be future pressures on public sector schemes to offer similar opportunities to transfer DB benefits into DC schemes. JR highlighted that past issues around mis-selling, and the cost impact on the Exchequer, would likely limit Government’s willingness to extend this to public service pensions.
* Improvements to mortality rates are not rising as fast as previously estimated by the Actuarial profession - DW noted this would likely impact on valuation as a downwards pressure.
* Plans are in place to merge TPAS with the Pension Ombudsman; supporting guidance organisations (such as pensionwise) are also to be merged with TPAS for form a single guidance body for pension scheme members.
* The Board agreed that this section was useful and interesting; GA agreed that for future Board meetings he would circulate a summary document to support.

  | AP1/180718 |
| Agenda item 4 | **Update from SAB:** * JR advised that the SAB meeting was postponed from July until September due to delays in HMT publishing their draft valuation directions. These are now expected to be published next week and information will be shared once known. Board members expressed concerns regarding the impact on schools’ budgets, highlighting the need for sufficient time between the announcement and implementation. JR reassured the Board that concerns had been played into HMT.
* NM sought assurance regarding the communications plan for schools /establishments; SB advised that he chairs an internal project Board on valuation which has a defined stream on communications.
 | AP2/180718 |
| Agenda item 5 | **Cross-cutting Issue : Administration Charge (Levy)*** NM highlighted that this was the first of the “cross-cutting” issues where topics would be considered in more detail.
* JR introduced the paper setting out the background and key aspects of the administration charge (levy). He explained that the levy had been introduced under the 2015 reform and provided an opportunity for planning beyond immediate and short-term needs, as it removed the link to central government’s three-year budget and spending review cycle. The levy was set at 0.08% of members’ pay, to meet the expected total costs of administering the TPS - including Medical Advisors, Actuarial Advice, TPSPB and the costs of DfE staff involved in delivering the scheme, along with the amounts payable to the scheme administrator.
* The levy is reviewed every 4 years, and is linked to the valuation process for administrative simplicity. Income goes to the Exchequer and the Department is then reimbursed - this process is managed in accordance with Government accounting processes and principles. JR noted that valuation should not in itself affect the levy, and the Board asked that DfE inform them once the implementation date for valuation was known.
* Currently income slightly exceeds costs, providing some flexibility and headroom for unpredicted exercises such as GMP reconciliation or new projects such as the commercial project.
* This is a useful consideration when looking at potential models under the commercial project. LP noted that there is a range of options open which all have a cost impact on the scheme - the commercial sub-committee have asked DfE to ensure that, during consideration of the options, the potential financial burden to the scheme and employers and any potential effect on the levy is taken into account. He suggested the table on page 3 could be re-cast to show costs/income from September 2015 onwards.
* The Board discussed the change in teacher profile (e.g. the increasing number of part time staff, the effect of opt-outs, pay growth) and how this might affect future projections.
* Discussion also centred around how the levy might be reviewed, to achieve a closer match between funds raised and spent to avoid schools/establishments/pupils being adversely affected.
* When reviewing the levy, stakeholder engagement will be principally via the TPSPB, keeping the SAB informed, rather than the implementation forum utilised last time.
 | AP3/180718AP4/180718 |
| Agenda item 6 | **TP Strategic objectives - update:*** DH joined the meeting to present a paper updating the Board on progress against TP’s six strategic objectives.
* He began by reviewing the detail of these and taking the Board through key achievements against each objective, inviting comment and observation. He explained that this was an evolving first iteration that would be reviewed on a regular basis to reflect new ideas and suggested improvements.
* He noted that whilst this was TP-centric the strategy does reflect a joint working approach between TP and DfE.
* Regarding “active stakeholder engagement and management”, the Board observed that whilst the list of activities was comprehensive, it did not capture how the impact and outcomes of the activity is evidenced in order for them to take assurance, and that a more evidence-based approach would add value across the piece.
* The Board also noted that in relation to “effective and innovative scheme management”, there is little in the strategy to illustrate how TP learn from mistakes (e.g. telephony and bereavements casework handling), and challenged TP to capture the detail of how they identify and apply lessons learned. They acknowledged that such lessons learned could feature under a number of the strategic objectives, but there is a need to evidence this particularly as DH was able to articulate some examples of where TP had done just this (e.g. team activity and processes that have changed as a result of feedback received).
* DH highlighted the current “customer and digital focus” illustrating a number of proactive activities underway in particular to encourage uptake of MPO, and noting that statistics available on frequency could evolve into a measure. He also explained that there had been a mixed reception to the idea of an “app” as feedback indicated there was unlikely to be any real demand for something geared up to frequent use, unless a unique selling point could be developed/established.
* It was noted that the increase in MPO was having an effect in reducing the amount of white-mail but that telephony/call centre use had not yet diminished significantly.
* NM thanked DH for the update, indicating that the Board could take assurance from a good set of strategic objectives with some good measures of outcomes. Measurement indicators are encouraging and supportive, and some small improvement capturing evidence around stakeholder management and applying lessons learned would add further value and assurance.
 | AP5/180718 |
| Agenda item 7 | **Service Delivery & Maintenance of Data sub-committee:** * DW commended the very detailed paper 9 which captures a range of interesting information regarding service delivery including a breakdown of breaches, reports to the regulator and progress on MDC. The report is supplemented by detailed minutes of the service delivery sub-committee that had explored the report in detail. The sub-committee agreed that the items on which the Board should specifically focus are telephony and bereavement casework. Both will be considered fully at agenda item 8.
* DH noted in particular that TP has a bereavement recovery plan in place to deal with the backlog of cases; this is on track to be completed by the end of July for in-service cases. He acknowledged that a number of complaints had resulted from the delay in dealing with these cases, but added that triage arrangements are ensuring that members are not suffering financial distress.
* Regarding telephony, the sub-committee has requested data for 12 months as it was felt this would be useful to see - a more detailed report is due for the next sub-committee meeting.
* The sub-committee had also discussed wider governance issues, in particular the role of TPARG and any cross-over between TPARG/TPSPB and the service delivery sub-committee.
* SC confirmed that TPARG was a long-standing forum that was particularly valued as it provides a good opportunity to obtain feedback from stakeholders and acts as an effective sounding-board. She confirmed that there is cross-over between the groups, that Service Delivery sub-committee paperwork is now tabled at TPARG and that TPARG now have an agenda item to escalate issues to the sub-committee. Timetables have also been aligned so that TPARG sits a month prior, providing that conduit to feed into the sub-committee.
* The group contains a good mix of employer and member representative that can surface emerging issues. JW endorsed this confirming it was a good engagement opportunity that provided a “different slant”.
* There was a discussion around the merits of retaining the group and whether TPARG representatives could be invited to attend /join the sub-committee. LP noted that other groups were not restricted by fixed terms of appointment, thus contributing a range of experience and expertise. The discussion moved on to considering whether other stakeholder groups could contribute anything valuable and it was agreed that it would be useful to capture the details of stakeholder groups and discuss as a cross-cutting issue at a future Board meeting, perhaps alongside consideration of the governance structure.
* NM sought the opinion of the Board as to whether the telephony and bereavement handling issues could pass back into BAU reporting, or whether regular written updates were still required. It was agreed that, whilst progress is being made - particularly around telephony and the call centre - the Board would value retaining specific updates for the time being.
 | AP6/180718AP7/180718*AP1/181017* |
| Agenda item 8 | **Additional Service Delivery Items : Telephony update (paper 12):*** DH used paper 12 to illustrate the latest progress update regarding telephony data and call handling including the planning and handling of the anticipated spike in April. DH highlighted the six months of good performance and the drop off in complaints.
* JG queried whether TP or the Service Delivery Board apply a “horizon scanning” approach to identify future potential areas of concern. DH confirmed that TP try to be forward thinking e.g. in anticipating a spike in queries relating to GMP reconciliation which TP are currently working to quantify.
* JR also noted that work is underway to understand why Outcome Measure scores have plateaued, including considering whether there is a need to ignore the effects of feedback from members who just “don’t like the answer” provided, as this has a sustained impact and is not a measure of quality / satisfaction. The concern is that variations in the amount of such feedback, which can be tied to events/exercises like GMP rectification, can lead to perverse swings in what the data is indicating.

**Bereavement complaints (paper 13):*** DH explained that a growing membership and an older member population have led to an increase in bereavement cases.
* TP have implemented a number of measures to improve case-handling - these include an improved triage system, improvement to letters and additional resources on the team, and these are starting to make a difference.
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| Agenda item 9 | **Information to Members and Communications sub-committee:**JH updated the Board in DT’s absence. * TP had presented a very informative and useful session on the evolving MPO journey and Dashboard as their “deep dive” topic. Background, history, and issues were covered along with proposed improvements such as an improved task-tracker, web-chat and consideration of a member app.
* This had generated a good discussion and sub-committee members took assurance regarding processes in place and developments undertaken, which provide a sense of confidence in that part of the engagement process.
* The sub-committee also received a report on the outcome of focus groups convened to discuss options to minimise opt-outs. It was generally felt that emphasising the value of employer contributions may help, and the sub-committee had supported the proposal to publicise this element more.
* JR noted that DfE are not yet in a position to share the GMP rectification letters with the sub-committee, as there is potential impact from other schemes’ rectification exercises; but the intention remains to share the communications plan and letters.
* Unfortunately, the sub-committee ran out of time to discuss the remainder of the agenda.
* NM noted that it would be useful to discuss/agree topics into which the sub-committee would like to “deep-dive”. DT to take this forward following the 30 July meeting.
 | AP8/180718 |
| Agenda item 10 | **Managing Risk and Internal Controls Sub-committee:**JG noted that the sub-committee had agreed to highlight two issues to the TPSPB:* The GMP Reconciliation exercise will have a noticeable impact on service delivery once the changes have been made.
* The sub-committee will scrutinise the operational risk register at each meeting, alongside the strategic risk register. This is so that they can assure the Board that the appropriate risk controls are in place.
* JR advised that the TPS Annual Report and Accounts had been laid on Monday 16/07/2018; the GOV.UK link will be circulated as soon as it is available.
* He further noted that Deloitte’s final Management Letter is yet to be circulated, and will be in advance of the next round of sub-committee meetings.
* The Board discussed the role of and relationship between ARC and TPSPB. SB noted that ARC recognised that valuation was running late and that this would result in issues for employers.
* IK advised that ARC had introduced “deep dive” topics and that it was likely a future focus would be around the TPS. He confirmed that one ARC member has been designated as a “link” to build relationships between ARC and TPSPB. NM confirmed that he had met with Nigel Johnson as part of his induction and he sought the Board’s agreement to invite NJ to attend and observe one TPSPB meeting (noting that attendance would be most appropriate when the agenda included a risk or finance related item). NM would be invited to observe an ARC meeting.
 | AP9/180718*AP11/180418*AP10/180718 |
| Agenda item 11 | **AOB:** * JR reminded the Board that TAVC is a separate entity to the main scheme, thus not within its remit. The Management Action Group (MAG) provides assurance to the Secretary of State and provides advice on the structure and working of the AVC scheme.
* However, it was recognised that the Board had an interest in the TAVC and the progress of the on-going funding review. JR reassured the Board that all feedback, concerns and comments raised by Board members have been fed into the process, to ensure that the AVC provision continues to provide a valuable option to members.
* Suggested changes are still under consideration by MAG, and JR undertook to provide a written update for the next TPSPB meeting.
* JG welcomed the written response and that the Board’s concerns had been passed on to MAG. GA requested the report and outcome documentation be shared with the Board. JR advised that MAG would need to be fully apprised/consulted before any documents are shared with the TPSPB as many influences play into the MAG - these will be reflected in his update note.
 | *AP7/120717* |
| Agenda item 10 | * DH left the meeting prior to the consideration of the commercial project. This ensures that Capita are in the same position as other potential providers within the re-tendering exercise.
* The remainder of this section has been removed to ensure commercial sensitivities are maintained. A full version of the minutes, signed by the chair and agreed by the Board at its subsequent meeting, is held by TPSPB secretariat team within DfE.
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|  | The chair thanked members for attending and the secretariat for excellent arrangements and papers.  |  |
|  | The next meeting will take place on 24 October 2018, at Capita Teachers’ Pensions, Lingfield Point, Darlington. |  |



Minutes agreed : Date: 26 July 2018

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| Minutes circulated to Board members for review on 26 July 2018. As a result the following change was made (and the minutes re-circulated to Board Members on 3 August 2018):* Some changes to Agenda item 3 (IPS update) following feedback from IPS to better reflect the information provided in the update section.
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| Minutes agreed by TPSPB at 24 October 2018 Board meeting. |
| Once agreed, the minutes will be signed again by the Chair, uploaded to the Governance area of TP’s website (being redacted where required) and a copy securely stored. |

Final Signature: Date: 25 October 2018